

Increasing Idaho's Minimum Wage

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In response to a legislative request, Idaho Commerce & Labor researchers have updated a 2005 study of the minimum wage in Idaho to show the economic impact various increases would have.

The new analysis does not draw any conclusions or make any recommendations about various proposals being discussed to raise the minimum wage. It only estimates the number of Idaho jobs in 2005 paying within the designated wage ranges and the costs to Idaho employers if the wages for these jobs were increased to a higher level. The employer cost estimate also assumes that no jobs are being compensated at less than the legally mandated minimum wage.

The analysis, requested by Democratic state Rep. Shirley Ringo of Moscow, found that two of every 15 jobs in Idaho last year paid between the current minimum wage of \$5.15 an hour and the latest proposal in Congress for a new federal minimum wage of \$7.25 an hour.

The cost to employers of bringing all 80,100 jobs paying less than \$7.25 an hour up to that level was estimated at \$142.5 million in 2005. That is just three-quarters of 1 percent of the 2005 statewide payroll of \$19 billion.

The cost estimate does not include the effect of higher social security, pension, unemployment insurance and other fringe benefit contributions employers must make on higher wage rates or the payroll impact of avoiding wage compression for jobs that had been paying just above the higher minimum wage rate.

There was also no attempt to gauge the effect a higher minimum wage would have on job creation or retention.

A change in the federal minimum wage would affect the vast majority of jobs in Idaho, but there is a comparatively small proportion of Idaho jobs covered only by the state minimum wage. Should the federal minimum wage be increased, those jobs would continue to be governed by the state minimum wage until the state Legislature chooses to change it.

The minimum wage analysis a year ago focused only on a proposal being circulated at the time to raise Idaho's minimum wage one dollar to \$6.15 an hour. Based on 2004 information, the analysis determined that 32,100 jobs paid less than \$6.15 an hour, and the cost to employers to raise the pay for those jobs to \$6.15 would be \$24.1 million.

The updated analysis found the number of Idaho jobs paying between \$5.15 and \$6.15 an hour in 2005 had increased by 2,675 to nearly 34,800 but remained essentially at the same proportion of all jobs at about 5.8 percent.

The analysis assessed the impact in 2005 of increasing the hourly minimum wage to \$6.15, \$6.50, \$6.75, \$7.00 and \$7.25.

Pay Rate	Number of Jobs	Cumulative Jobs	Cumulative % of Total Jobs	Cost Increase Per Hour	Annual Cost Increase (in millions)
Under \$6.15	34,775	34,775	5.8%	\$14,605.5	\$26.7
Under \$6.50	14,517	49,292	8.3%	\$29,389.8	\$53.8
Under \$6.75	10,368	59,660	10.0%	\$43,008.8	\$78.7
Under \$7.00	10,016	69,676	11.7%	\$59,175.8	\$108.3
Under \$7.25	10,404	80,080	13.4%	\$77,895.3	\$142.5
\$7.25 or higher	516,920		86.6%		
Total Jobs	597,000				

Raising the minimum wage to \$6.15 an hour would mean an average pay increase of 42 cents an hour, or 6.8 percent, for those 34,800 jobs.

Additionally:

- Raising the minimum wage from \$5.15 to \$6.50 would affect an additional 14,500 jobs at a cost a total of \$53.8 million to bring all jobs under \$6.50 to that level.
- Raising the minimum wage up to \$6.75 would bring in another 10,400 jobs and increase the total cost to \$78.7 million to bring all jobs to that level.
- Raising the minimum wage to \$7 would benefit an additional 10,000 jobs and boost the total cost of bringing all 70,000 jobs paying less than that up to \$7.
- And raising the minimum wage to \$7.25 per hour would affect another 10,400 workers, bringing the cost of raising all 80,100 jobs to \$7.25 an hour to \$142.5 million.

Supporters say raising the minimum wage will help the nation's working poor. A full-time minimum wage worker makes \$10,712 per year. The federal poverty level, the income level up to which people are eligible for all public assistance benefits, is \$9,800 for a single person and \$20,000 for a family of four.

Opponents say increasing the wage does greater harm than good. They claim that because most people who earn the minimum wage are teenagers and low-skilled workers with no experience, they are the first affected by layoffs when small businesses can't absorb the additional labor costs.

According to the Bureau of Labor Statistics, nationally people earning the minimum wage are between 16 and 19 years of age and more likely to be unmarried. Four percent of the female population and 2 percent of all men make a minimum wage of \$5.15 per hour. The jobs they hold are more likely to be part-time than full-time. About 60 percent work in leisure and hospitality, primarily in food services and drinking establishments.

Appendix: Minimum Wage Simulation Methodology

To determine the impact of various increases in Idaho's minimum wage, hourly wages were identified for those workers whose hourly wages fell between the current minimum wage of \$5.15 and the proposed minimum wages increases. The analysis used published and non-published data from the Idaho Occupational Employment and Wage Survey statistical report for 2005, published by Idaho Commerce & Labor in 2006.

The figures detail wages at specific percentiles by industry, occupation within industry and geographic location. With the use of probability principles, the number of workers was calculated for each wage percentile and then their current hourly rates were subtracted from the new minimum wage target to determine the cost to adjust to the higher proposed minimum wage. For example, if 100 workers in a specific industry were earning \$6.13 per hour, the cost to bring these 100 workers to \$6.15 an hour would be $100 \times \$0.02 = \2 per hour. Similarly, if 100 workers were paid only \$5.15 an hour, it would cost their employers an additional \$1 each or $100 \times \$1.00 = \200 per hour to bring them up to \$6.15.

Wages for agricultural occupations are shown only for workers covered by Idaho's Unemployment Insurance law.

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